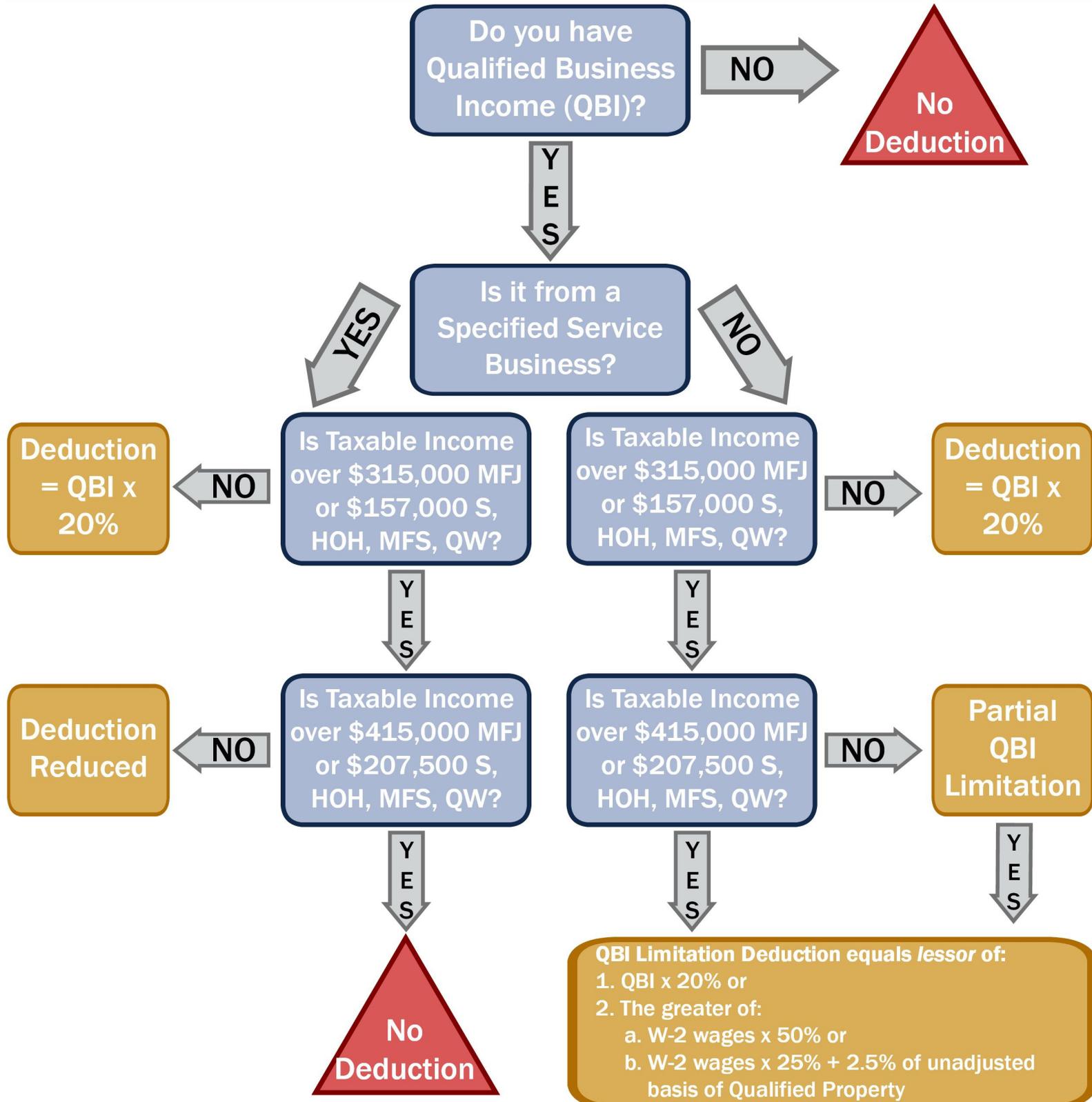


TAX CUTS AND JOBS ACT

changes under tax reform

2018 QUALIFIED BUSINESS INCOME DEDUCTION



TAX CUTS AND JOB ACT

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GLOSSARY OF TERMS

Filing Status

1. **Single.** Normally this status is for taxpayers who aren't married, or who are divorced or legally separated under state law.
2. **Married Filing Jointly.** If taxpayers are married, they can file a joint tax return. If a spouse died in 2017, the widowed spouse can often file a joint return for that year.
3. **Married Filing Separately.** A married couple can choose to file two separate tax returns. This may benefit them if it results in less tax owed than if they file a joint tax return. Taxpayers may want to prepare their taxes both ways before they choose. They can also use this status if each wants to be responsible only for their own tax.
4. **Head of Household.** In most cases, this status applies to a taxpayer who is not married, but there are some special rules. For example, the taxpayer must have paid more than half the cost of keeping up a home for themselves and a qualifying person. Don't choose this status by mistake. Be sure to check all the rules.
5. **Qualifying Widow(er).** This status may apply to a taxpayer if their spouse died during 2016 or 2017.
6. **Qualifying Widow(er) with Dependent Child.** This status may apply to a taxpayer if their spouse died during 2016 or 2017 and they have a dependent child. Other conditions also apply.

Adjusted Gross Income (AGI) is defined as gross income minus adjustments to income. Refer to your most recent federal income tax return to get a quick estimate of your AGI.

Specified Service Business... A **specified service trade or business** is any business involving the performance of services in the fields of health, law, accounting, actuarial, consulting, athletics, financial services, brokerage services, or "any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees.

Taxable Income... Adjusted gross **income** minus any deductions or exemptions allowed in that tax year. **Taxable income** includes wages, salaries, bonuses and tips, as well as investment **income** and unearned **income**.

Qualified Business (QB)... Non C-Corporate business other than a Specified Service Business (SSB). However, an SSB will qualify if the individual's Taxable Income (TI) is less than \$207,500 if filing as S, HOH, MFS, or QW, or \$415,000 for MFJ, for tax year 2018. Threshold is adjusted for inflation each year.

Qualified Business Income (QBI)...The net amount of qualified items of income, gain, deduction, and loss with respect to any Qualified Business of the taxpayer. This does not include any qualified RETI dividends, qualified cooperative dividends, or qualified publicly traded partnership income.

Qualified Property for QBI Deduction...Tangible, depreciable, property used in a business or production of **Qualified Business Income (QBI)** that is not more than 10 years old or past its last full year of depreciation, whichever comes first.